Consolidated Financial Results for the Three Months Ended May 31, 2024 [Japanese GAAP]

July 10, 2024

Company name: **MINISTOP Co., Ltd.**
Stock exchange listing: Tokyo Stock Exchange (Prime Market)
Code number: 9946
URL: https://www.ministop.co.jp/corporate/ir/
Representative: Akihiro Fujimoto, President and Representative Director
Contact: Naoki Motohashi, Executive Officer, General Manager of Business Administration
Phone: +81-43-212-6472
Scheduled date of filing quarterly securities report: July 11, 2024
Scheduled date of commencing dividend payments: –
Availability of supplementary explanatory materials on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended May 31, 2024 (March 1, 2024 – May 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Gross operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2024	20,553	5.3	(1,338)	–	(1,231)	–	(1,135)	–
May 31, 2023	19,516	(5.0)	(524)	–	(400)	–	(312)	–

(Note) Comprehensive income: Three months ended May 31, 2024: ¥(1,197) million [–%]
Three months ended May 31, 2023: ¥(299) million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2024	(39.14)	–
May 31, 2023	(10.77)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2024	81,859	39,193	46.7
As of February 29, 2024	77,900	40,681	50.9

(Reference) Equity: As of May 31, 2024: ¥38,254 million
As of February 29, 2024: ¥39,633 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2024	–	10.00	–	10.00	20.00
Fiscal year ending February 28, 2025	–				
Fiscal year ending February 28, 2025 (Forecast)		10.00	–	10.00	20.00

(Note) Revision to the dividend forecast announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 – February 28, 2025)

(% indicates changes from the previous corresponding period.)

	Gross operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	90,000	13.8	1,500	–	1,800	–	400	–	13.79

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

(1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: –
Excluded: –

(2) Accounting treatment particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

May 31, 2024:	29,372,774 shares
February 29, 2024:	29,372,774 shares

2) Total number of treasury shares at the end of the period

May 31, 2024:	364,157 shares
February 29, 2024:	364,100 shares

3) Average number of shares during the period:

Three months ended May 31, 2024:	29,008,659 shares
Three months ended May 31, 2023:	29,009,105 shares

* These quarterly consolidated financial results are outside the scope of a quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

Forward-looking statements contained in this document, including financial results forecast, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and actual financial results, etc. may significantly differ from the projections due to various factors. For the use of financial results forecast, please see “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forecasts” on page 11 of the attachments.

Table of Contents – Attachments

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the three months ended May 31,2024, amid the improvement of the employment and income environment, the Japanese economy was on a moderate recovery path due to vitalized consumption with the expectation of wage increases in March and continued ideal weather for an outing as well as the increased demand associated with outing mainly during the Golden Week holidays after April. However, due to the persisted elevated prices caused by the instability of the global situation and the yen's depreciation, consumption behaviors were affected by consumers' growing awareness of the need to protect their lifestyles, and therefore, the economic outlook remains unpredictable.

Under these circumstances, on a mission of 'We realize a society full of beaming smiles with "delicious" and "convenience,"' the Group focused on its selected business. As a policy for fiscal 2024, the second year of the 2023-2025 Medium-term Management Plan, the Group set the policy of strengthening its competitiveness of individual store model with its evolution into the second phase model as well as promoting strategic growth, and we promoted structural reforms and the growth strategy.

In order to establish the "new combo store model," which aims to enhance the competitiveness of individual stores, in the previous fiscal year, we refined both fast foods to deliver deliciousness of freshly cooked foods and the convenience to provide "convenience," which have been combined as the components of the combo store model since its foundation. We then promoted the first phase of the "new combo store model," under which we rolled out successful cassettes to existing stores. In fiscal 2024, we have been continuing our efforts of refining which started in fiscal 2023. In addition, we have been implementing the second phase of the "new combo store model" which aims at further evolution by pursuing the real nature of fast foods and the convenience. We opened flagship stores which embody our vision under the phase two in May. We have positioned the flagship stores as laboratory stores to verify successful cassettes under the second phase there in advance and will roll out the created successful cassettes to existing stores.

The number of MINISTOP Partnership Agreement stores increased ahead of the plan made at the beginning of the fiscal year as of May 31, 2024, amounting to 723 stores, which was 40% of all stores. A shift of our business model has been progressing to the one, where franchised stores and the company headquarters will aim to grow together by their boosting sales, appropriately sharing the burden of business expenses, and pursuing profit. Regarding reforms of the management and leadership structure and the company headquarters, we promoted preparation of the mechanism such as tools and procedures related to a shift to effective and efficient management guidance to be implemented ahead of increasing the number of MINISTOP Partnership Agreement stores during the three months ended May 31, 2024. We will step into the areas that we had not explored in the conventional management guidance, such as optimizing product disposal management and recruiting and training human resources to create effects resulting from a structural shift of our business model. We will also implement the qualitative shift in management guidance.

As for new businesses, we made efforts to enhance recognition by and convenience for customers for delivery services, and in addition, we promoted the enhancement of product lineups and developed original goods for e-commerce. Toward the expansion of our market share, the occupational field business has generated stable business profit, with our increasing locations of MINISTOP POCKET stores, unmanned convenience stores set up in offices and other facilities, including locations for related services, improving their services, and cultivating new markets for them.

Regarding the Vietnam business, we promoted initiatives to achieve both the expansion of store opening and the recording of profit as the model of increasing directly managed stores. Our market share increased by 2.0 percentage points compared with the same period of the previous fiscal year in Ho Chi Minh, where we opened 15 new stores in our efforts to dominate the market. We reviewed a merchandising process to promptly respond to changes in customer needs due to changes in the economic environment. As a result, net sales at all stores increased by 21.2% compared with the same period of the previous fiscal year with our enhancing emphasis on the price. We developed a logistics support system to realize increasing directly managed stores and promoted the streamlining of store operations such as the superintendent system ("SI system"), in which one store manager oversees multiple stores. As a result, the number of stores that introduced the SI system amounted to 33 units, accounting for about 40% of all stores.

We promoted management system reforms along with organizational and cultural reforms, aimed at steadily promoting structural reforms and the growth strategy in the domestic and overseas businesses. Toward a shift to purpose management, we promoted efforts to create new value and solve social issues, with the soft-serve ice cream, our signature product, as the symbol.

As a result of the above, consolidated operating results for the three months ended May 31, 2024 were gross operating revenue of ¥20,553 million (up 5.3% compared with the same period of the previous fiscal year), operating loss of ¥1,338 million (operating loss of ¥524 million in the same period of the previous fiscal year), ordinary loss of ¥1,231 million (ordinary loss of ¥400 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥1,135 million (loss attributable to owners of parent of ¥312 million in the same period of the previous fiscal year).

The operating results of each segment are as follows.

[Domestic business]

Net sales at all stores of MINISTOP alone decreased by 0.6% compared with the same period of the previous fiscal year due to poor weather conditions in March. Net sales per day per existing store compared with the same period of the previous fiscal year for MINISTOP stores decreased by 0.8%. Average per day per existing store customer numbers fell by 0.9%, while per day per existing store average customer purchase value unchanged. Per day per existing store sales of convenience store products decreased by 2.1 % and per day per existing store sales of fast food products processed in store increased by 5.9%. Gross profit ratio increased by 0.1 percentage point from the same period of the previous fiscal year to 30.5% due to the increased sales of value-priced products by expanding products with emphasis on the price based on merchandising process for redesigning the roles of each category in accordance with customers' purchasing behavior. This was also due to a growth in the sales of products such as hand-made rice balls by providing fast food products processed in store, high value-added products, with product lineups that satisfy our customers.

Toward the establishment of the “new combo store model” to enhance the competitiveness of individual stores, as for fast foods, we worked to realize deliciousness of freshly cooked foods, developed products by adding value of health to deliciousness, implemented branding initiatives to promote new value, and through the digitalization, overhauled our emphasis on the value and promoted reforms of our methods to offer products.

As for hand-made rice balls, which combine freshly cooked rice and seasonal ingredients, in addition to *Hokkaido Yaki Salmon (Rice Ball)*, for which we paid special attention to ingredients from Hokkaido, we launched *Seafood Mixed Tempura (Rice Ball)* in March, a rice ball combined with filling mixed tempura, and it was well received. Regarding the development of products which add value of health to deliciousness, we launched *Seasoned Boiled Egg (Rice Ball)*, for which we reduce the volume of rice and generously use a whole seasoned boiled egg with a healthy image instead, and it boosted sales. In May, combining two ingredients that go well each other, we launched *Mackerel and Takana (Rice Ball)* and *Salmon and Salmon Roe (Rice Ball)*, which customers can enjoy using chopsticks. These products boosted the sales of hand-made rice balls as the new proposals for rice balls.

As for cold sweets, we promoted branding initiatives by adding new core values, primarily for the accelerated development of products and soft-serve ice cream in light of a trend of the rising temperature in past years. In March 2024, we launched *Strawberry Soft (Soft-serve Ice Cream)*, for which we paid special attention to the origins of ingredients and used Tochiaika, strawberry from Tochigi prefecture. We also launched *HALOHALO: MATCHA x MATCHA*, which is genuine matcha shaved ice, anticipating spring with the rising temperature. However, the planned sales were not achieved due to weather conditions that were different from the forecast. In April, when the weather was good with the rising temperature, as new sweets to drink, we launched two types of floats combining milk from Hokkaido and *Soft-serve Ice Cream Vanilla*, our signature product, which boosted sales. Furthermore, in May, when demand associated with picnic increased mainly during the Golden Week holidays, sales were strong as we launched *Crackling Melon Cream and Soda* and frozen fruit series, under the product lineup of *HALOHALO*, an ever-popular product.

Regarding soft-serve ice cream, for which we have promoted branding initiatives such as using a social networking services to set a world record with its uploaded photos in fiscal 2023, we have implemented the promotion of value of health such as being low in calories in addition to deliciousness, as the symbol of the Company’s purpose. We announced the result of calculation of the carbon footprint (CFP) of soft-serve ice cream in March and the CFP of *Soft-serve Ice Cream Vanilla* with an edible spoon was measured to be 0.2479kgCO2eq. We have been promoting value of soft-serve ice cream, which is environmentally friendly product, along with new value such as contribution to local communities and society.

As for the overhaul of our emphasis on the value of products, we are implementing digitalization of menu colton in store and newly introduced digital colton at 173 stores in the three months ended May 31, 2024. We promoted the value of products at 624 stores by video as of May 31, 2024. Regarding reforms of our methods to offer products, we developed ordering and paging systems, with which customers can place an order at the self-checkout machines with ease. In addition, as for taking mobile orders that we started in August 2023, we promoted distribution of special coupons as well as products exclusively for mobile orders. We will continue to make efforts to enhance convenience for customers and, at the same time, toward our evolution as retail media, establish stores as well as increase advertising revenues by working with other companies.

Regarding the convenience to provide the value of “convenience” with customers, we continued to enhance product appeal by refining again a merchandising process and enhance our product lineups to meet customer needs. We also expanded products for daily life and emphasized the price by utilizing TOPVALU products, products with unique value provided by the Aeon Group.

As for our efforts to enhance product appeal by refining again a merchandising process, we launched *Double Cream Puff* at the reasonable pre-tax price of ¥100, for which we generously use whipped cream with pure fresh cream from Hokkaido blended and *Egg Tart*, a voluminous product combining aromatic tart dough and eggs with light taste, and they were well received. We also launched *Bread with Ham and Cheese with Camembert Cheese Flavor,* for which ham and source made from cheese and mayonnaise are generously used, wrapped by bread with soft texture, making it sufficiently filling and available at affordable price. It boosted sales of stuffed breads. In addition, we promoted larger serving campaigns and emphasized on volume at regular prices, which led to further strong sales.

Meanwhile, as for rice balls, which are convenience store products renewed in September 2023, we emphasized the price with their intermittent sales. However, it failed to lead to steady sales and affected the number of customers. We will continue to increase product value based on a design of product lineups that integrate hand-made rice balls, which are well received by customers.

Furthermore, as for tobacco products, we made investments to add display fixtures to existing fixtures at the scale of 1,300 stores and gradually enhanced our product lineups in the three months ended May 31, 2024. We will continue to enhance our product lineups to meet needs of customers who visit our stores every morning and generate results.

As for expanding products for daily life which are close to the daily lives of customers and emphasizing the price, we have promoted further utilization of TOPVALU products, which are well received by customers, from the aspects of both our design of value and emphasis on the price in responding to poor weather conditions in March that affected drinks and alcoholic beverages. We have been rolling out the creation of sales floors, of which results were verified at pilot model stores ("laboratory stores") as successful cassettes in order to encourage customers to buy multiple items by emphasizing on products with unique value which cannot be found elsewhere. We completely renewed ready-to-eat dressed breads that we had jointly developed. We also enhanced lineups of products to be used every day such as home-meal-replacement foods pre-packaged in pouches, with which customers can shorten cooking time, which is the value of "convenience," and combine meals easily. Furthermore, as for our emphasis on the price, sales of soft drinks, sweets and snacks, and processed food were strong as we enhanced our lineups for these products. In addition, in March, we launched *Shoyu Noodle Big* and *Seafood Noodle Big* as the Noodle Big series, value-priced with the volume of noodle increased by about 1.3 times compared with existing products, which resulted in strong sales. As a result of the above, net sales of TOPVALU for the three months ended May 31, 2024 increased by over 10% compared with the same period of the previous fiscal year. We will continue to enhance product lineups and sales promotion plans of TOPVALU, and appeal unique value in terms of both price and value to customers.

As the vision under the second phase of the "new combo store model," in May, we opened the flagship stores to embody the evolution of both fast foods and the convenience as well as the utilization of OMO (Online Merges with Offices) to combine digital services with the MINISTOP app as an interface. We will realize fast foods with the quality of specialty stores with value of health added to deliciousness under the second phase. We will also embody the new convenience such as one-stop and quick shopping in terms of both our services and product lineups and our methods to offer products. We have positioned the flagship stores as laboratory stores functioning as bases for new research and development. In rolling out successful cassettes, we will verify each of our efforts on fast foods, the convenience, and OMO, and closely examine and identify successful cassettes in order to smoothly introduce them at existing stores.

We implemented the revitalization of existing stores toward the establishment of the "new combo store model" at 20 stores as of May 31, 2024. In fiscal 2024, based on expertise gained from the revitalization of existing stores at 169 stores in fiscal 2023, we carefully selected the details of renovation, and in addition, reduced the down period to three days in average compared with the maximum of 15 days in fiscal 2023 by carefully examining the renovation process. Furthermore, from three months prior to the revitalization, we had systematically and completely implemented mindset renovation, which is intended to foster a customer-first mindset and achieve perfect execution primarily with the involvement of franchised stores. In implementing mindset renovation, before the revitalization, we promoted motivation to create ideal stores, set goals, and formulated operation plans for the owners of the franchised stores and employees by utilizing merchandising process plans which were formulated based on competition environments. After the revitalization, we promoted efforts to enhance the competitiveness of individual stores by utilizing store records which comprehensively grasp issues concerning store management to formulate measures. Furthermore, we promoted the establishment of our commercial activity by vitalizing stores nearby revitalized stores. As a result, for the three months ended May 31, 2024, an increase in net sales per day per store at the stores which were revitalized in fiscal 2024 compared with the same period of the previous fiscal year exceeded that at all stores. By learning from the efforts at remodeled stores at an organizational level, such efforts are spreading to management guidance at existing stores.

The MINISTOP Partnership Agreement has been designed to establish new relationships with franchised stores and facilitate growth together with them. The number of MINISTOP Partnership Agreement stores reached 723 stores as of May 31, 2024, an increase of 295 stores from the same period of the previous fiscal year. About 40% of all stores shifted to MINISTOP Partnership Agreement stores, which was ahead of the plan. Through effective and efficient management guidance, we have implemented a shift of our business model to the one, where franchised stores and the company headquarters boost sales together, appropriately share the burden of business expenses each other, and share business profit generated. Regarding reforms of the management and leadership structure and the company headquarters, from March to May, we promoted preparation of the mechanism such as tools and procedures related to the qualitative shift in management guidance that we systematically implement with a view to an increase in the number of the Partnership Agreement stores

We reviewed methods of the conventional management guidance, promote the redesign, centered on the mechanisms whose results were verified at directly managed stores, and made efforts toward creating sales floors with perfect execution and fully implementing sales promotion plans in stores. In addition to the utilization of operation plans and work procedure manuals to achieve perfect execution, we completed the development of sales plans in May. We promoted sales plans as the mechanism to review the results of perfect execution of the creation of sales floors for priority products by franchised stores and superintendents based on a 52-week merchandising process. Moreover, as for ordering procedures to realize our product lineups that will satisfy customers, we increased the number of directly managed stores, at which their verification is made, and toward its introduction at franchised stores, developed its training system and improved its accuracy from March to May. The company headquarters will continue to closely support franchised stores' motivation and their perfect implementation toward the realization of sales floors that satisfy customers.

Furthermore, as for direct communication to facilitate communication among franchised stores with the company headquarters serving as a hub and to increase the level of achievement at stores, we promoted the enhancement of video content by utilizing management tablets introduced at all stores and the development of an interactive chat system. Regarding the utilization of an interactive chat system, by superintendents' remotely monitoring the situation of sales floors on a real-time basis and their giving specific guidance on ordering and the creation of floors, improvement measures were swiftly taken and sales of priority products grew at laboratory stores. Moreover, the system is used to foster culture of friendly competitions among franchised stores by sharing information.

The number of directly managed stores reached 221 stores as of May 31, 2024, an increase of 39 stores from May 31, 2023. We positioned directly managed stores as stores to verify successful cassettes in rolling them out to franchised stores. We are introducing the SI system, in which one store manager oversees multiple stores, in order to promote the streamlining of store operations and establish an efficient management method at franchised stores that manage multiple stores. Toward the full in-store execution, we promoted the development of store managers as candidates for superintendents and appointed 27 candidates for superintendents as of May 31, 2024. We are standardizing the management method for store management, including formulating procedures for store operations which cover ordering, the creation of floors, attendance management, and work schedule management aimed at efficient multiple-store management system.

Regarding new businesses, we are making efforts to evolve each new business as a piece to function to integrate with actual stores under the "new combo store model." We are working to increase sales of delivery services per locations. We provided multiple delivery services in parallel at 1,173 stores as of May 31, 2024. Aimed at enhancing convenience for customers, we promoted management guidance to reduce opportunity loss at stores, and based on the establishment of an operation system to prevent stockouts, we extended our order acceptance hours beyond the traditional 9 p.m. and increased the number of stores that accept orders until midnight to the scale of 900 stores. Furthermore, we started sales of new product categories to respond to demand for ready-to-eat foods, and enhanced product lineups of ready-to-eat foods such as sweet bread, dressed breads, bentos, and cold noodles by May 31, 2024. As for sales promotion, in addition to distribution of coupons and campaigns for clearly targeted customers, we are working on acquiring new customers by posting advertisements on trains in major lines in the Tokyo metropolitan area and emphasizing flyers of re-opening of revitalized existing stores, as new sales promotion measures. Sales of delivery services per location were strong with an increase of over 30% compared with the same period of the previous fiscal year due to these efforts.

As for e-commerce, by utilizing sales infrastructure that we developed in fiscal 2023, We enhanced new product categories and expanded our product lineups of MINISTOP original goods in fiscal 2024. In March, in addition to starting sales of drinks at bargain prices on our original site of MINISTOP Online, regarding summer gifts that we started in May, we expanded their product lineups exclusively for e-commerce by more than 200 SKUs to meet customer needs. In addition, sales of e-commerce were strong as we launched original sweets with Mangoes, used for *Mango Parfait*, which are popular in stores. Furthermore, we implemented sales exclusively for e-commerce at discount prices and distributed a coupon in exchange of purchase of subject products, entitling customers to get soft-serve ice cream free in stores. In addition, we implemented digital advertising to enhance recognition and incentives to buy by utilizing a social networking service. Regarding mutual customer referral under e-commerce, we promoted MINISTOP original goods at Green Beans, which is the internet supermarket of the Aeon Group. We will expand our product lineups of new categories such as alcoholic beverages, and we will also expand original goods such as fast frozen food products, and promote product lineups unique to e-commerce responding to the changing seasons of 52 weeks.

Regarding the MINISTOP app, as an interface of OMO, the number of downloads exceeded 1,790,000 as of May 31, 2024, and sales to its members increased by over 50% compared with the same period of the previous fiscal year. As for our efforts on 1-to-1 marketing, we intermittently implemented the measures of distributing coupons for products with a high potential to be purchased such as coffee and fast food products processed in store intended to target users categorized by their attributes such as days of week and time zone when purchases are made and goods purchased, by utilizing the accumulated customer base. Furthermore, in April when a customer starts a new life, we implemented the MINISTOP app lottery, a campaign to create opportunities, where customers can use the MINISTOP app with saving and fun. In addition, in order to acquire members of the app, we rolled out a promotional campaign to register new members in coordination with the measures taken in stores. In addition to coordination with AEON Pay, which is being promoted as code settlement service by the Aeon Group, we will narrow down segments toward cultivating 1-to-1 marketing and make efforts to enhance convenience such as diversifying payment methods with the MINISTOP app as an interface to connect actual stores with digital services.

As for the occupational field business, the number of locations of MINISTOP POCKET stores, unmanned convenience stores set up in offices and other facilities, increased to 1,451 as of May 31, 2024, including locations for related services. We increased locations in the Kansai region as well as the Tokyo metropolitan area. In addition, in May, we established experimental units of unmanned stores in condominiums, targeting new locations of the semi-occupational field market. We worked to prevent stockouts by using the inventory management system at each location. As a result, sales per location increased by more than 30% compared with the same period of the previous fiscal year.

In addition, as we developed distribution services for video advertising and product supply services, making the most of the business's characteristics of having a large number of locations in offices, we continued to record stable profit. We will increase locations and improve their services to secure the number-one market share position in the occupational field market. We will also create synergy effects such as providing products by combining the MINISTOP store business with our occupational field locations, which have newly dominated the market, with the use of OMO. We have been promoting organizational and cultural reforms and medium- to long-term management system reforms aimed at generating results by steadily promoting the growth strategy and structural reforms. As for organizational and cultural reforms, we have managed our training system based on job requirements, rolled out to all divisions training programs for acquiring problem solving skills, which are specific to each division and job, and encouraged actions which lead to results.

Aimed at shifting to purpose management, based on the Aeon Group's future vision and the MINISTOP's mission of 'We realize a society full of beaming smiles with "deliciousness" and "convenience,"' we have been promoting business activities to directly connect a growth of businesses with the solution of social issues. As a symbol of the purpose management, we promoted branding initiatives of soft-serve ice cream and established the soft-serve ice cream committee in March, aimed at creating new core values such as "environmentally friendly," "body-friendly," "connecting with local communities," and "contributions to society" in addition to already established core value of "deliciousness."

We are focusing on reducing power consumption in our stores, which accounts for 85.5 % of CO_2 emissions covered by our estimation as a measure against climate change. With the goal of cutting CO_2 emissions by stores by 50% from fiscal 2013 levels by 2030, we have switched the sources of power used in some areas to renewable energy and changed the lights used inside and outside the stores from fluorescents to LEDs. As we achieved the goal ahead of the schedule with the progress rate of 111% as of February 29, 2024, we will work on further reduction aimed at a new target of achieving net-zero CO_2 emissions by 2040.

As for our efforts for food loss reduction, as a means to encourage recycling resources, with the goal of reducing food loss by 50% from 2015 levels by 2025, we have been promoting "Reduce," an effort to reduce food waste by selling products at discount prices, at 90% of our stores. We will reduce unnecessary food loss by establishing an efficient sales structure with the formulation of procedures for selling products at discount prices.

Regarding our efforts to reduce plastic usage, we calculated CO_2 emissions of an edible spoon attached to soft-serve ice cream throughout the product life cycle with the method of the carbon footprint and announced its result in March. We visualized that CO_2 emissions from edible spoon were smaller than those from spoon made of petroleum by 3.5gCO2eq per spoon and that deplasticization led to cutting CO_2 emissions as well. We will work on cutting CO_2 emissions during transportation at the distribution stage and promote cutting CO_2 emissions throughout supply chains. Furthermore, at flagship stores opened in May, we changed materials of cutlery from plastic made of petroleum to eco-friendly ones and will increase the number of stores providing cutlery with eco-friendly materials.

As for our efforts on connecting with local communities, we implemented the "Child Internship" program, a work experience course for elementary and junior high school students, from fiscal 2005. We let children, the bearers of the future, learn AEON's ideals. In fiscal 2024, we revised the program so that they can recognize environment issues as well with soft-serve ice cream, familiar sweets to them. We have conducted fund-raising activities for the "Circle of Flowers" program throughout the year, which delivers flower seedlings to elementary schools. In fiscal 2024, owners of store plans to visit elementary schools in person and present flower seedlings.

As for our efforts toward social contribution, We have raised funds for the AEON – UNICEF Safe Water Campaign, and donated ¥1,408 thousand to provide safe water to children in Cambodia and Myanmar with the cooperation of customers. Network Service Inc. runs a co-operative distribution business for stores in Japan, operating 13 fixed-temperature centers, six ambient centers, and 10 frozen food distribution centers. In addition to optimizing the number of delivery routes and the mileage per route, it scaled up the changes of delivery formats for frozen products. With these efforts, it has been working to reduce costs and environmental impact including the reduction of CO_2 emissions. Furthermore, to address the "2024 problem" in logistics, it continues to make efforts on streamlining store operations and at logistic reforms that involve reviewing ways of work of delivery staff.

Regarding store development, three new stores were opened, and four stores were closed. There were 1,855 stores as of May 31, 2024. We will continue to promote store development activities based on our area strategy.

As a result of the above, gross operating revenue in the domestic business for the three months ended May 31, 2024 was ¥18,292 million (up 3.6% compared with the same period of the previous fiscal year), and operating loss was ¥1,032 million (operating loss of ¥461 million for the same period of the previous fiscal year).

[Overseas business]

In the three months ended May 31, 2024, in Vietnam, it was announced that the real GDP growth rate was 5.66% (estimated) year on year, a slower growth rate compared with 6.72% in the previous quarter of October to December 2023. Meanwhile, the measures to reduce or exempt value-added taxes, which were continued to be put in force from July 2023, was extended again in January 2024. With the consumption supported by the re-extension, the economic environment is beginning to show positive signs.

In these circumstances, as for MINISTOP VIETNAM COMPANY LIMITED, we have made an investment as the business of increasing directly managed stores to achieve both the expansion of store opening and the recording of profit. We reviewed a merchandising process to swiftly adapt to changes in the economic environment and promoted the enhancement of product lineups to meet consumers' needs in Ho Chi Minh City in terms of both price and value.

As for store opening, we have developed the training system and the organization and structure for the development to learn operation systems such as collecting information on properties by increasing the number of development staff, and promoted the establishment of dominant position in Ho Chi Minh City. We opened 15 new stores and the number of stores reached 179 stores as of May 31, 2024, resulting in an increase of our market share in Ho Chi Minh by 2.0 percentage points compared with the same period of the previous fiscal year. In addition, net sales per day per store at the start of new stores increased compared with those of new stores in the same period of the previous fiscal year due to the effects of dominating the market.

Regarding our efforts on the recording of profit, we have gradually promoted reforms to refine again a merchandising process based on category management. We implemented a pricing strategy to secure an advantage against competitors, including small supermarkets and traditional markets and revised prices of a cumulative total of 230 SKUs by March 31, 2024. Furthermore, we promoted the development of high-value-added products such as staple foods. Sales of bentos, noodles, and sweets were strong, resulting in an increase compared with the same period of the previous fiscal year. In addition, sales of value-added fruit drinks processed in store were strong and the number of stores with counters for drinks increased to 35 stores. As a result of the above, net sales at all stores increased by 21.2% compared with the same period of the previous fiscal year. Meanwhile, gross profit ratio decreased by 3.0 percentage points from the same period of the previous fiscal year due to our continued price revision.

We have developed a logistics support system to realize increasing directly managed stores. The progress was made in utilizing work schedules to achieve perfect execution. In addition, we promoted streamlining store operations across the divisions, with the involvement of store support desks that started full-scale operations. The progress was made in the development of store managers to promote the SI system and we appointed over 30 candidates for superintendents by March 31, 2024. As the model of increasing directly managed stores, we have promoted store operations with the involvement of superintendents. We have streamlined store operations and also rolled out examples of successful initiatives such as the creation of sales floors. Furthermore, we have promoted perfect execution and also made efforts to increase productivity by ensuring that operation plans match actual working conditions. Meanwhile, selling, general and administrative expenses increased by 42.1% due to up-front investment for the expansion of store opening as well as soaring electricity bills and increases in personnel expenses caused by hikes in minimum wages.

As a result of the above, gross operating revenue in the overseas business for the three months ended May 31, 2024 was ¥2,260 million (up 21.0% year on year), and operating loss was ¥305 million (operating loss of ¥63 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Overview of assets, liabilities, and net assets)

Total assets at the end of the first quarter of the fiscal year under review increased by ¥3,958 million compared with the end of the previous fiscal year to ¥81,859 million. This was mainly attributable to increases of ¥3,622 million in accounts receivable - other and ¥2,000 million in deposits paid to subsidiaries and associates, and a decrease of ¥1,932 million in cash and deposits.

Liabilities increased by ¥5,447 million compared with the end of the previous fiscal year to ¥42,666 million. This was mainly attributable to increases of ¥4,006 million in deposits received and ¥1,055 million in accounts payable - trade.

Net assets decreased by ¥1,488 million compared with the end of the previous fiscal year to ¥39,193 million. This was mainly due to the recording of ¥1,135 million in loss attributable to owners of parent and ¥290 million in dividends paid.

(3) Explanation of Consolidated Financial Results Forecast and Other Forecasts

The Group expects to achieve its plan by reforming products related to frequently purchased meals, redesigning sales floors from the customer's point of view, expanding examples of successful initiatives at prior experimental stores, conducting promotional activities mainly through the use of the MINISTOP app, promoting the creation of an efficient store operation system, and continuing efforts to improve management efficiency. The consolidated financial results forecast for the fiscal year ending February 28, 2025, which we announced on April 10, 2024, therefore, remains unchanged.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	8,783	6,851
Accounts receivable - due from franchised stores	7,871	7,954
Securities	3,000	3,000
Merchandise	1,979	2,184
Accounts receivable - other	11,331	14,954
Deposits paid to subsidiaries and associates	14,000	16,000
Other	4,117	3,864
Allowance for doubtful accounts	(54)	(57)
Total current assets	51,030	54,752
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,878	5,864
Machinery, equipment and vehicles, net	1,193	1,156
Furniture and fixtures, net	3,022	3,488
Land	428	428
Leased assets, net	62	24
Construction in progress	55	244
Total property, plant and equipment	10,641	11,206
Intangible assets		
Software	3,363	3,219
Other	292	261
Total intangible assets	3,656	3,480
Investments and other assets		
Investment securities	907	914
Long-term loans receivable	1	1
Guarantee deposits	10,781	10,578
Retirement benefit asset	212	241
Deferred tax assets	2	2
Other	809	815
Allowance for doubtful accounts	(143)	(133)
Total investments and other assets	12,572	12,419
Total non-current assets	26,870	27,107
Total assets	77,900	81,859

(Million yen)

	As of February 29, 2024	As of May 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	13,820	14,875
Accounts payable - due to franchised stores	261	309
Accounts payable - other	4,181	4,265
Income taxes payable	163	132
Deposits received	11,491	15,497
Provision for bonuses	179	349
Provision for loss on store closings	24	18
Other	882	1,065
Total current liabilities	31,005	36,515
Non-current liabilities		
Lease liabilities	33	29
Long-term guarantee deposits	3,804	3,756
Deferred tax liabilities	211	217
Asset retirement obligations	1,856	1,862
Other	308	284
Total non-current liabilities	6,214	6,150
Total liabilities	37,219	42,666
Net assets		
Shareholders' equity		
Share capital	7,491	7,491
Capital surplus	6,032	6,032
Retained earnings	26,869	25,443
Treasury shares	(642)	(643)
Total shareholders' equity	39,750	38,324
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39	45
Foreign currency translation adjustment	(266)	(230)
Remeasurements of defined benefit plans	110	113
Total accumulated other comprehensive income	(116)	(70)
Share acquisition rights	3	3
Non-controlling interests	1,043	934
Total net assets	40,681	39,193
Total liabilities and net assets	77,900	81,859

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended May 31

(Million yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Gross operating revenue	19,516	20,553
Operating costs	9,357	10,589
Operating gross profit	10,159	9,963
Selling, general and administrative expenses	10,684	11,302
Operating loss	(524)	(1,338)
Non-operating income		
Interest income	105	103
Dividend income	0	1
Penalty income	11	2
Compensation income	8	7
Other	12	3
Total non-operating income	138	117
Non-operating expenses		
Interest expenses	5	4
Foreign exchange losses	–	3
Other	8	1
Total non-operating expenses	14	10
Ordinary loss	(400)	(1,231)
Extraordinary income		
Gain on sale of non-current assets	8	0
Reversal of provision for loss on store closings	64	2
Total extraordinary income	72	3
Extraordinary losses		
Impairment losses	2	2
Loss on store closings	–	0
Provision for loss on store closings	–	7
Other	0	0
Total extraordinary losses	2	10
Loss before income taxes	(330)	(1,238)
Income taxes – current	(15)	37
Income taxes – deferred	(2)	3
Total income taxes	(17)	41
Loss	(312)	(1,280)
Loss attributable to non-controlling interests	–	(145)
Loss attributable to owners of parent	(312)	(1,135)

Quarterly Consolidated Statements of Comprehensive Income

Three months ended May 31

(Million yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Loss	(312)	(1,280)
Other comprehensive income		
Valuation difference on available-for-sale securities	2	6
Foreign currency translation adjustment	2	73
Remeasurements of defined benefit plans, net of tax	8	3
Total other comprehensive income	13	82
Comprehensive income	(299)	(1,197)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(299)	(1,089)
Comprehensive income attributable to non-controlling interests	–	(108)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

[Segment information]

I. For the three months ended May 31, 2023 (from March 1, 2023 to May 31, 2023)

1. Information on amounts of gross operating revenue, income (loss) and breakdown of revenue by reportable segment

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Gross operating revenue			
Revenue from franchised stores (*1)	7,579	133	7,713
Sale of goods (*2)	5,527	1,704	7,231
Other (*3)	780	30	811
Revenue from contracts with customers	13,888	1,867	15,756
Other revenue (*4)	3,760	—	3,760
Gross operating revenue from outside customers	17,649	1,867	19,516
Inter-segment gross operating revenue or transfers	16	—	16
Total	17,665	1,867	19,533
Segment profit (loss) (*5)	(461)	(63)	(524)

Notes 1: Revenue from franchised stores includes income such as royalty income from franchised stores and net sales of products to franchised stores.

2: Sale of goods refers to the sale of goods to customers at directly managed stores.

3: Other includes royalty income, digital signage advertising fees, solar-power-generated electricity sale income, etc. received from area franchisers.

4: Other revenue includes transportation service charges and fees received from product vendors and other business partners.

5: Segment profit (loss) corresponds to operating loss in the Quarterly Consolidated Statements of Income.

2. Information on impairment losses on non-current assets by reportable segment

(Million yen)

	Domestic Business	Overseas Business	Total
Impairment losses	1	0	2

II. For the three months ended May 31, 2024 (from March 1, 2024 to May 31, 2024)

1. Information on amounts of gross operating revenue, income (loss) and breakdown of revenue by reportable segment

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Gross operating revenue			
Revenue from franchised stores (*1)	7,669	130	7,799
Sale of goods (*2)	6,311	2,095	8,407
Other (*3)	588	35	623
Revenue from contracts with customers	14,569	2,260	16,830
Other revenue (*4)	3,722	—	3,722
Gross operating revenue from outside customers	18,292	2,260	20,553
Inter-segment gross operating revenue or transfers	30	—	30
Total	18,322	2,260	20,583
Segment profit (loss) (*5)	(1,032)	(305)	(1,338)

Notes
1: Revenue from franchised stores includes income such as royalty income from franchised stores and net sales of products to franchised stores.
2: Sale of goods refers to the sale of goods to customers at directly managed stores.
3: Other includes royalty income, digital signage advertising fees, solar-power-generated electricity sale income, etc. received from area franchisers.
4: Other revenue includes transportation service charges and fees received from product vendors and other business partners.
5: Segment profit (loss) corresponds to operating loss in the Quarterly Consolidated Statements of Income.

2. Information on impairment losses on non-current assets by reportable segment

(Million yen)

	Domestic Business	Overseas Business	Total
Impairment losses	2	—	2

(Revenue recognition)

Breakdown of revenue from contracts with customers

The breakdown of revenue from contracts with customers is as stated in “Notes to Quarterly Consolidated Financial Statements (Segment information, etc.).”